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AGN. NO. _____

MOTION BY SUPERVISOR DON KNABE

June 21, 2005

California Senate Bill SB 1086 (Migden), as amended, would prohibit the City of Long Beach from setting aside oil revenues produced in the State Tidelands for future use in cleanup of the oil fields after production of oil is concluded. In addition, SB 1086 would require the City to return revenues in the abandonment reserve fund to the State.

The City of Long Beach created the reserve for abandonment to ensure the protection of the Long Beach Tidelands by funding the State's abandonment obligation out of ongoing oil revenues. If the City waits until the oil field is no longer producing oil, there will be no source of funds to meet this State obligation. The City, as steward to the State for the oil operations in the Tidelands of Long Beach, has always operated with the highest regard for environmental responsibility and public safety.

Good public policy requires the City to protect the environment. To protect the Long Beach Tidelands, the City must ensure that funding exists for the abandonment of wells, pipelines and facilities; and the remediation of soil in a timely manner. The State

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MOTION

BURKE	_____
YAROSLAVSKY	_____
KNABE	_____
ANTONOVICH	_____
MOLINA	_____

has affirmed that it recognizes and accepts its liability for abandonment costs for oil operations in the Tidelands.

The City, as trustee for the State, is fulfilling its fiduciary responsibilities by creating and funding a reserve for abandonment and restoration liabilities created by oil operations from tidelands oil revenue. The City is acting in a manner consistent with generally-accepted accounting principles and good public policy.

The Long Beach Tidelands have provided nearly \$5 billion in revenue to the State from oil operations. The City currently has reserved approximately \$86 million for funding the State's share of the abandonment liability. Given the \$300 million expected cost of oil well abandonment, there is still \$214 million of unfunded State liability.

It would be extremely unwise for the State to require the City of Long Beach to deplete the Abandonment Fund.

I, THEREFORE, MOVE that the Board of Supervisors direct the Chief Administrative Officer to send letters to the County's legislative delegation in opposition to SB 1086 and direct the County's legislative advocates in Sacramento to pursue defeat of SB 1086.

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DAVID E. JANSSEN
Chief Administrative Officer

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First District

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Second District

ZEY YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

June 17, 2005

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

MOTION TO OPPOSE SB 1086 (MIGDEN) -- CITY OF LONG BEACH TIDELANDS REVENUES (ITEM NO. 8, AGENDA OF JUNE 21, 2005)

Item No. 8 on the June 21, 2005 Agenda is a motion by Supervisor Knabe to oppose SB 1086 (Migden), which affects the City of Long Beach's tidelands revenues, to direct my office to send letters of opposition to the County's legislative delegation, and to direct our Sacramento Advocates to pursue defeat of the bill.

Under existing law, coastal tidelands areas can be held in public trust on behalf of the State for purposes of navigation, commerce, and fishing. In 1911, the State granted the City of Long Beach a tidelands trust, which permitted the development of the Long Beach Harbor as well as oil and gas production. Generally, revenues derived from economic activities in trust areas are restricted to support the maintenance of the trust areas with certain revenues, such as those related to oil and gas production, split between the trustee and the State.

In 1999, the City of Long Beach created an Oil Abandonment Fund to address the problem of capping and decommissioning inactive wells, and began placing a portion of oil revenues into the Fund. The City has estimated the cost of managing abandoned wells to be \$300 million, and currently has \$86 million in its Oil Abandonment Fund.

In 2003, the State obtained a trial court decision to prevent the City from making further contributions to the Oil Abandonment Fund. In January 2005, the California Court of Appeals reversed the trial court decision and agreed with the City's position that creation of the Oil Abandonment Fund is authorized by State law. On March 30, 2005, the California Supreme Court denied the State's petition for review.

SB 1086 (Migden), as amended on May 27, 2005, would reverse the Court of Appeals decision by specifically prohibiting the City of Long Beach from making deposits into its Oil Abandonment Fund, and requiring the City to remit the balance of the Fund to the State. Other provisions of SB 1086 would extend the sunset date from July 1, 2006 to July 1, 2012 relative to how the State's share of tidelands oil revenues are allocated among projects to protect and restore natural resources, maintain State park facilities, and improve pollution control.

Because SB 1086 has no effect on County operations and the County's legislative agenda does not address this issue, a position on this issue is a matter for Board policy determination.

According to the author's office, there is no registered support for the current version of SB 1086, and the measure is opposed by the City of Long Beach. On June 1, 2005, SB 1086 passed the Senate by a vote of 24 to 13, and has been referred to the Assembly Committee on Natural Resources with no hearing date set.

DEJ:GK
MAL:JF:ib

c: Executive Officer, Board of Supervisors
 County Counsel
 Legislative Strategist